

Minutes of the Meeting of the Lottery Advisory Commission  
January 28, 2004

Attendance

A meeting of the Lottery Advisory Commission was held at 8:00 a.m. - 10:00 a.m., on Wednesday, January 28, 2004, in the Conference Room of the Office of Attorney General in the State Capitol in Bismarck. Representing the Commission were Chairman RaeAnn Kelsch, Representative Lois Delmore, and Mr. Laurel Thoreson. Senator Jerry Klein and Ms. Darlene Watne participated by teleconference due to the weather. Mr. Chuck Keller, Director, and Ms. Danielle Schaefer, Administrative Assistant, of the North Dakota Lottery, participated in the meeting.

The Office of Attorney General filed a "Notice of Meeting" with the Secretary of State and posted the meeting agenda on the Lottery Division's web page on January 22, 2004. A copy of the meeting agenda is attached.

Approval of Minutes of December 22, 2003, executive session

The draft minutes of the December 22, 2003, executive meeting was distributed to the Commission members. Commissioner Delmore made a motion to approve the minutes. Commissioner Thoreson seconded the motion. The motion passed 5-0.

Approval of Minutes of December 22, 2003, meeting

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Selection of the Advertising Agency (Executive Session)

Mr. Keller commented that the need for executive session was due to the confidential evaluation summary report, which contains some confidential information that cannot be released to any third parties. Another version of the document will be created and it will not contain any confidential information and will be released to all interested parties. A request has already been made by one of the unsuccessful vendors. A full copy of the written proposals will be provided after the contract has been signed with the successful vendor.

The commission needs to act on the RFP's team's recommendation to accept or not accept the RFP's recommendation. Attorney General Stenehjem is ultimately responsible for the final decision.

Commissioner Delmore made a motion to move the meeting into Executive Session. Commissioner Thoreson seconded the motion. The motion passed 5-0.

Following the Executive Session, Commissioner Delmore made a motion to forward on to the Attorney General H2M as the commission's first choice of a vendor for the marketing and related services regarding the RFP 1250302. Commissioner Klein seconded the motion. No discussion was made. The motion passed 4-0.

#### Status of Other Project Plan

Mr. Keller reported that SciGames was over 25% finished installing satellite telecom equipment and running the cables from the dish to the indoor transceiver unit. Cold weather has probably hampered things somewhat. According to Chairman Kelsch, SciGames has had to do some extensive work in some places to get the wiring in.

Danielle Schaefer reported on the status of the retailer selection process. We have 384 terminals being distributed. There are about 100 applicants that were not selected for terminals. Twelve terminals are currently being held back for new business applications. Four are being designated for the lottery office.

At this time, out of the first selection, the lottery division has not received license fees and agreements from ten businesses. Installation will stop on those ten until the fees are paid. It was recommended that if we do not have the money by February 2, we will move the terminals to other applicants. Senator Klein will contact one of the vendors to encourage them to send in their fees immediately.

Mr. Keller reported that SciGames has agreed to the final version of the draft contract sent to them. Mr. Keller proposed a package concept enabling the state to get more than 50 terminals. Fifty terminals will generate \$600,000 more in net proceeds for the lottery. The saturation point is 425 terminals. The contract package price proposal contains five elements. SciGames is providing an additional 75 lottery terminals. Each terminal provided will have a branding feature or canceling feature so when the winning ticket is redeemed at a retailer's site and the clerk places the ticket in the terminal for payout, the terminal will cancel the ticket. SciGames is also providing 400 LED scrolling signs. Messages can be sent to any particular store, a group of chain stores, or a city or county as a whole. Neon signs will also be provided to identify each site as a lottery site. A LCD customer display sign will be visible to only the player in front of the terminal for security reasons.

The performance bond will be reduced after the first year of the lottery (from \$1,000,000 to \$500,000). We will immediately execute the first of three optional years on the contract. Chuck opted to extend the contract up front for one additional year. The base price proposal was 8.98% and we are increasing that by 1.65 percent. Total contract fee will be 10.63%.

The administrative rules committee hearing is scheduled for Thursday, February 19. Senator Klein will attend the hearing and recommended that Chairman Kelsch and Chuck Keller also attend.

The lottery security officer Julie Thompson started this week. The customer service specialist Tammy Backhaus has also been hired. On January 27 sales and marketing specialist applicants were interviewed. There were 18 applicants total, 7 were interviewed.

A slogan needs to be chosen and will be discussed at the next meeting.

H2M is proposing a very aggressive launch celebration in major cities, including a launch party. Mr. Keller felt that Attorney General Stenehjem would be interested in the commission's recommendation for the launch. Chairman Kelsch suggested a big celebration.

Mr. Keller reported everything is on track, a smooth launch is expected, and the additional staff will prove helpful in removing some pressure.

#### Adjournment

Commissioner Thoreson made a motion to adjourn the meeting. Commissioner Delmore seconded the motion. The motion passed.